

# Leading by example with and without exclusion power in voluntary contribution experiments <sup>☆</sup>

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## Abstract

We examine the effects of leading by example in voluntary contribution experiments. Leadership is implemented by letting one group member contribute to the public good before followers do. Such leadership increases contributions in comparison to the standard voluntary contribution mechanism, especially so when it goes along with authority in the form of granting the leader exclusion power. Whether leadership is fixed or rotating among group members has no significant influence on contributions. Only a minority of groups succeeds in endogenously installing a leader, even though groups with leaders are much more efficient than groups without a leader.

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## 1. Introduction

Leading by setting an example is an important means to influence the behavior of others when (often incomplete) contractual relationships or hierarchical authority are absent. In fact, many

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well-known historical persons have relied on this principle of voluntary leadership to promote the well-functioning of groups or society, think of Albert Schweitzer (“Example is leadership.”) or Mahatma Gandhi (“We must be the change we wish to see in the world.”).

In this paper we provide a comprehensive experimental study on three aspects of leading by example, which we will elaborate in detail below. First we examine the effects of leadership and the influence of leader’s strength on behavior in voluntary contribution games. Second, we check whether it makes a difference for overall contributions if one single group member is always the leader or if all group members rotate in the leader’s role. Third, we address whether groups want to install a leader by voting and how the outcome of the vote is related to contribution behavior.

Only recently (an early exception is [von Stackelberg, 1934](#)) the issue of leadership has received attention in the economics literature. From a theoretical perspective, [Hermalin \(1998\)](#) presents a model of leadership in the presence of asymmetric information between leaders and followers. He shows that a leader can induce others to follow suit either by example or by sacrifice. [Arce \(2001\)](#) and [Foss \(2001\)](#) identify leadership in their models as a means to achieve efficient outcomes in social dilemma games. From an empirical perspective, the effects of leading by example have received particular attention with respect to charitable fundraising. If well-known persons donate to a certain project and this is publicly announced, others often tend to follow ([Vesterlund, 2003](#)).<sup>1</sup> A similar effect arises when at the start of a public fundraising campaign a notable fraction of the goal is pledged as seed money ([List and Lucking-Reiley, 2002](#)). Several experimental papers have investigated the effects of voluntarily leading by example. Employing a full information setting, [Moxnes and Van der Heijden \(2003\)](#), [Van der Heijden and Moxnes \(2003\)](#), and [Gächter and Renner \(2004\)](#) have implemented leadership in the laboratory by letting a leader decide and announce his contribution before the other group members contribute (simultaneously). These studies find that leaders’ and followers’ contributions are highly correlated even in one shot games ([Gächter and Renner, 2004](#)), and that average contributions with leadership are (in most cases significantly) higher than without leadership.

Comparing a full information setting with a situation of asymmetric information – where a leader has private information about the returns from contributing – [Potters et al. \(in press\)](#) show that asymmetric information plays an important role in the success of leadership because it allows the leader to signal the returns from contributing to the follower. These findings of [Potters et al. \(in press\)](#) contrast somewhat with results from [Meidinger and Villeval \(2002\)](#) who report an experimental test of [Hermalin’s \(1998\)](#) model of leadership. [Meidinger and Villeval \(2002\)](#) explain the success of leadership by reciprocity on the side of followers, but attribute only little influence to signaling. Parts of these differences as far as the experiments with asymmetric information are concerned might be due to [Meidinger and Villeval \(2002\)](#) relying on a partners design with repeated play in which reciprocity is more important than in the strangers design of [Potters et al. \(in press\)](#). Yet, as far as their full information treatments are concerned, both [Potters et al. \(in press\)](#) and [Meidinger and Villeval \(2002\)](#) report that followers condition their contribution on the contribution of their leaders, meaning that even in the absence of private information leadership can change behavior.

In our paper, we will rely on a full information setting and will concentrate on the following three aspects of leading by example. First, we reexamine the effects of leading by example. An important, but hitherto neglected, aspect of leading by example relates to the leader’s formal

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<sup>1</sup> One nice example is illustrated in the New York Times report (from March 30, 2002, p. A13) on the grand dame of American Philanthropy, Brook Astor, whose donations often triggered a subsequent flow of additional donations.

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